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Subject: Preparation for PAC
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Trevor, Stuart

Having reflected on the previous PAC evidence session, I think we need to be very well prepared to answer detailed questions on NIRO, and the domestic RHI scheme.

On NIRO, I suggest that we need the following.

Key facts

Number of installations, with a breakdown by technology type and size.
Number of rejected applications
Incidence of suspected abuse/fraud each year, with details of action taken
Details (or confirmation of an absence) of whistleblowing reports

Key processes

Details of application/accreditation process
Details of audit/inspection process (plus numbers of inspections, results, and follow up action taken)
Details of control / oversight arrangements by DfE / NIAUR, including any differences from GB arrangements

Key risk management strategies

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Fraud/abuse risk
VFM risk
Budget risk

On the risks, I assume that a clear explanation of the accreditation and inspection regimes will address the fraud/abuse risk, along with an explanation of the lack of perverse incentives (an installation connected to the grid would always export excess electricity in return for a tariff, rather than wasting it; off-grid installations are subject to more rigorous accreditation – details please).

On VFM, we should re-examine the core information in the business case, casework approval, and Ricardo study. Have we ever carried out any rate of return calculations for individual schemes?

In relation to the budget, I assume that we can offer reassurance (correct this for me please if it is wrong):

- Whilst the scheme is demand-led, there is no NI Departmental budget per se – costs are passed on to consumers by suppliers, with an overall cap in the form of the levy control framework. The actual control mechanism is not directly analogous to ‘degression’ or a tiered tariff. Instead, there is a annual control mechanism in the form of the obligation level, which will determine the number of ROCS that suppliers need to purchase. ROCS are traded, so an excess supply of ROCS would bring about a fall in their value, as would a lowering of the obligation level. Thus, the market controls costs, in response to signals (obligation level, determined by levy control framework) from Government, or excess supply. In addition, if there was evidence of the equivalent of the ‘multiple small boiler’ phenomenon, we could respond by changing the ROC banding levels (i.e. the ‘tariff’). The key point is that these measures (apart from ROC banding changes) are already in place and may be deployed without further recourse to legislation.

Incidentally, have we any evidence of ‘demand spikes’ in response to either the early closure announcement for on-shore wind, or, eg, the recent ROC banding change for solar PV? Is the export tariff regulated by NIAUR, or market driven?

We will need broadly similar information for the domestic scheme, mutatis mutandis.

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